

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO**

WALTER MERCADO-SALINAS, et al.,

## Plaintiffs,

V.

Civil No. 09-1509 (GAG)

## **BART ENTERPRISES INTERNATIONAL, LTD., et al.,**

## Defendants.

## OPINION AND ORDER

Walter Mercado-Salinas (“Mercado”) and Astromundo, Inc. (collectively “Plaintiffs”) brought this case in the Puerto Rico Court of First Instance against Bart Enterprises International, LTD. (“Bart”), Walter International Productions, Inc., Waltervision, Inc., Waltervision Productions, Inc. (“Waltervision Productions”), Walter Mercado Radio Productions, Inc., Walter Mercado Enterprises, Corp., Arcane Creative LLC (“Arcane”) and Guillermo Bakula (“Bakula”) (collectively “Defendants”). (See Docket Nos. 1 and 4.) Defendants removed this case to the federal district court. (See Docket No. 1.)

The parties have filed cross motions for partial summary judgment (Docket Nos. 374 & 383), and have submitted statements of uncontested material facts (Docket Nos. 375 & 372). They have also duly opposed their opponents' motions for summary disposition (Docket No. 407 & 403) and replied (Docket No. 417 & 419).<sup>1</sup> After reviewing these submissions and the pertinent law, the court

<sup>1</sup> Plaintiffs filed a sur-reply to Defendants' reply to Plaintiffs' opposition to Defendants' motion for partial summary judgment (Docket No. 424).

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1 **GRANTS** Defendants' motion for partial summary judgment at Docket No. 374 and **DENIES**  
2 Plaintiffs' motion for partial summary judgment at Docket No. 383.3 **I. Standard of Review**4 Summary judgment is appropriate when "the pleadings, depositions, answers to  
5 interrogatories, and admissions on file, together with the affidavits, if any, show that there is no  
6 genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter  
7 of law." FED.R.CIV.P. 56(c); Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986). When considering  
8 a motion for summary judgment, the court must view the evidence in the light most favorable to the  
9 non-moving party and give that party the benefit of any and all reasonable inferences. Anderson v.  
10 Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). Moreover, at the summary judgment stage, the court  
11 does not make credibility determinations or weigh the evidence. Id.12 The moving party bears the initial burden of demonstrating the lack of evidence to support  
13 the non-moving party's case. Celotex, 477 U.S. at 325. "The movant must aver an absence of  
14 evidence to support the nonmoving party's case." Maldonado-Denis v. Castillo-Rodriguez, 23 F.3d  
15 576, 581 (1st Cir. 1994). The burden then shifts to the non-movant to establish the existence of at  
16 least one genuine and material fact in dispute. Rogan v. City of Boston, 267 F.3d 24, 27 (1st Cir.  
17 2001) (citing Maldonado-Denis v. Castillo-Rodriguez, 23 F.3d 576, 581 (1st Cir. 1994)). "An issue  
18 is genuine if 'it may reasonably be resolved in favor of either party' at trial, and material if it  
19 'possess[es] the capacity to sway the outcome of the litigation under the applicable law.'" Iverson  
20 v. City of Boston, 452 F.3d 94, 98 (1st Cir. 2006) (alteration in original) (citations omitted).21 The non-moving party must "set forth specific facts showing that there is a genuine issue for  
22 trial." FED. R. CIV. P. 56(e). The non-movant "cannot rest upon mere allegation or denial of the  
23 pleadings." Fed. Deposit Ins. Corp. v. Municipality of Ponce, 904 F.2d 740, 742-43 (1st Cir. 1990)  
24 (citing FED.R.CIV.P. 56)). That is, "[t]o defeat a motion for summary judgment, evidence offered  
25 by the non-movant must be significantly probative of specific facts." Prescott v. Higgins, 538 F.3d  
26 32, 40 (1st Cir. 2008) (citations omitted) (internal quotation marks omitted). "The mere existence  
27 of some alleged factual dispute between the parties will not defeat an otherwise properly supported  
28 motion." Velazquez-Garcia v. Horizon Lines of Puerto Rico, Inc., 473 F.3d 11, 15 (1st Cir. 2007)

1 (citations omitted). Rather, “the nonmovant must present definite, competent evidence to rebut the  
 2 motion.” Pagano v. Frank, 983 F.2d 343, 347 (1st Cir. 1993) (citations omitted) (internal quotation  
 3 marks omitted).

4 If the court finds that some genuine factual issue remains, the resolution of which could  
 5 affect the outcome of the case, then the court must deny summary judgment. Martinez-Rodriguez  
 6 v. Guevara, 597 F.3d 413, 419 (1st Cir. 2010) (citing Anderson v. Liberty Lobby, Inc., 477 U.S. 242,  
 7 248 (1986)). Summary judgment may be appropriate, however, if the non-moving party’s case rests  
 8 merely upon “conclusory allegations, improbable inferences, and unsupported speculation.”  
 9 Forestier Fradera v. Municipality of Mayaguez, 440 F.3d 17, 21 (1st Cir. 2006) (quoting Benoit v.  
 10 Technical Mfg. Corp., 331 F.3d 166, 173 (1st Cir. 2003)).

11 “Cross-motions for summary judgment do not alter the summary judgment standard, but  
 12 instead simply require [the court] to determine whether either of the parties deserves judgment as  
 13 a matter of law on the facts that are not disputed.” Wells Real Estate Inv. Trust II, Inc. v.  
 14 Chardon/Hato Rey P’ship, S.E., 615 F.3d 45, 51 (1st Cir. 2010) (citing Adria Int’l Group, Inc. v.  
 15 Ferré Dev. Inc., 241 F.3d 103, 107 (1st Cir. 2001)) (internal quotation marks omitted). Although  
 16 each motion for summary judgment must be decided on its own merits, each motion need not be  
 17 considered in a vacuum. Wells Real Estate Inv. Trust II, Inc., 615 F.3d at 51 (quoting P.R. American  
 18 Ins. Co. v. Rivera-Vázquez, 603 F.3d 125, 133 (1st Cir. 2010)) (internal quotation marks omitted).  
 19 “Where, as here, cross-motions for summary judgment are filed simultaneously, or nearly so, the  
 20 district court ordinarily should consider the two motions at the same time, applying the same  
 21 standards to each motion.” Wells Real Estate Inv. Trust II, Inc., 615 F.3d at 51 (quoting P.R.  
 22 American Ins. Co. v. Rivera-Vázquez, 603 F.3d 125, 133 (1st Cir. 2010)) (internal quotation marks  
 23 omitted).

24 **II. Factual and Procedural Background**

25 Given that prior opinions on record (Docket Nos. 57, 194, 220 and 369) amply set forth the  
 26 background of this case, only the facts relevant to the instant disposition are hereby recapitulated.

27 Mercado is a well-known psychic and astrologer. On August 4, 1995, Mercado entered into  
 28 a contract with Bart (“the Agreement”) (Docket No. 375-1). As part of the Agreement, Mercado

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1 granted Bart certain rights to the “Walter Mercado” trademark (the “Mark”), as well as Mercado’s  
2 name and likeness, “during the Term and throughout the Territory” of the Agreement.3 Under the Agreement, Bart would develop and distribute materials and products related to  
4 Mercado’s psychic and astrological services. Mercado agreed to provide additional psychic and  
5 astrological services to Bart during an “Additional Services Period.” (See Docket No. 375-1 at 6  
6 ¶¶ 6(b)(i) & (ii).) In return, the Agreement provides for monetary compensation for Mercado’s  
7 services. According to the Agreement, it in no way prohibits or restricts Mercado “from conducting  
8 his present business endeavors consisting of radio, newspaper, magazines and personal consultation  
9 related to psychic activities[,]” for his personal benefit. (See Docket No. 375-1 at 8 ¶ 6(c)(v).)10 **A. Florida Litigation**11 In the fall of 2006, Mercado stopped rendering services as provided under the Agreement and  
12 failed to appear for scheduled appearances. Mercado-Salinas v. Bart Enterprises Int’l, Ltd., --- F.3d  
13 ---, 2011 WL 6350535 at \*3 (1st Cir. Dec. 20, 2011). In November 2006, Bart stopped Mercado’s  
14 compensation payments under the Agreement. See id. Mercado formally attempted to terminate the  
15 Agreement in a letter dated November 22, 2006, citing Bart’s failure to pay Mercado compensation  
16 for the use of the Mark. See id.17 On January 17, 2007, Defendants filed suit against Plaintiffs in the U.S. District Court for  
18 the Southern District of Florida (the “Florida Court”), alleging breach of contract and tortious  
19 interference with Bart’s third-party contracts. (See Docket No. 133-7.) On February 7, 2007,  
20 Plaintiffs filed a separate suit against Defendants in the U.S. District Court for the District of Puerto  
21 Rico seeking an injunction to protect their federal trademark rights. (See Docket No. 133-8.) On  
22 June 26, 2007, Plaintiffs filed a counterclaim to Defendants’ complaint in the Florida Court for  
23 breach of contract, breach of fiduciary duty, breach of the covenant of good faith, violation of  
24 copyright and trademark laws, unjust enrichment. (See Docket No. 133-9.) On June 16, 2008,  
25 Plaintiffs’ complaint in the District of Puerto Rico was transferred to the Southern District of  
26 Florida. (See Docket No. 133-2 at 2 ¶ 18.) The two cases were consolidated for trial purposes. (See  
27 Docket No. 44-2 at 1 n.1.)

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1       On cross-motions for summary judgment, the Florida Court found the Agreement is valid  
2 under Puerto Rico law. (See Docket No. 133-23 at 6-8.) It also concluded the Agreement contains  
3 two different durational periods: (1) the period for which Mercado was obligated to provide personal  
4 services to Bart (the “Additional Services Term”), consisting of ten years plus optional two-year  
5 extensions at Bart’s discretion, and (2) the period applicable to the assignment of the Mark and other  
6 rights (the “Term”), which is defined as being “in perpetuity . . . subject to the provisions of  
7 paragraph 12.” (See Docket No. 133-23 at 7.) Because the Mark was “irrevocably assign[ed] to  
8 Bart . . . during the Term” and because “the Term of the Agreement ends if Bart or Mercado exercise  
9 their rights to terminate the Agreement,” the Florida court found all rights in Preexisting Materials  
10 and in the Mark would revert to Mercado upon valid termination. (See Docket No. 133-23 at 15-16.)

11       On January 26, 2009, the jury rendered a special verdict finding Mercado had improperly  
12 terminated the Agreement. (See Docket No. 133-25.) The jury also found Mercado had breached  
13 the Agreement. (See Docket No. 133-26.) Judgment was entered in favor of Bart on February 4,  
14 2009. (See Docket No. 133-27.) Subsequent to the filing of motions to alter or amend judgment,  
15 the Florida Court concluded the Agreement was still in force because Mercado had failed to  
16 terminate the Agreement pursuant the terms in the contract. (See Docket No. 134-12 at 22.)  
17 Because Bart retained its rights to the Mark and Mercado’s likeness, the presiding judge dismissed  
18 Mercado’s trademark infringement claim as moot. (See *id.*)

#### 19           B.     The Present Controversy

20       Following the Florida litigation, Mercado sent Bart a letter dated March 20, 2009, demanding  
21 payment within fifteen days of \$25,000 per month for the twenty-seven months that had elapsed  
22 between November 2006 and January 2009, amounting to a total of \$675,000. (See Docket No. 134-  
23 25.) The letter asserted that “the \$25,000 per month [is] due and payable pursuant to clause 6(c)(i)”  
24 of the Agreement, and that “[t]he obligation to pay such amounts is independent of any service  
25 provided by Mr. Mercado.” (See Docket No. 134-25 at 2.) The letter further stated Mercado  
26 reserved the right to declare the Agreement null and void pursuant to clause 12 of the Agreement  
27 if payment in full was not received within fifteen days of receipt. (See *id.*) Bart notified Mercado  
28 on March 30, 2009 that it would not pay the requested compensation because no compensation was

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1 due since Mercado ceased providing services. (See Docket No. 134-26.) In doing so, Bart asserted  
 2 its right to the Mark and demanded Mercado desist using the Mark for himself. (See *id.*) In another  
 3 letter to Bart dated May 15, 2009, Mercado declared the termination of the Agreement pursuant to  
 4 Paragraph 12 because of Bart's failure to pay the amount requested in the March 20, 2009 letter.  
 5 (See Docket No. 134-27.)

6 Plaintiffs filed the instant complaint against Defendants on May 15, 2009 in the Puerto Rico  
 7 Court of First Instance claiming breach of contract, trademark and publicity rights infringement, and  
 8 damages for the unauthorized used of the Mark, name, likeness, and other indicia of identity. (See  
 9 Docket Nos. 1-4.) Defendants removed this case to the federal district court on June 8, 2009. (See  
 10 Docket No. 1.)

11 Cross-motions for preliminary injunction relief were filed, seeking to prevent the other from  
 12 using the Mark. (See Docket Nos. 74 & 126.) Finding that Mercado had not established he was  
 13 entitled to trademark protection, Plaintiffs' request for preliminary injunctive relief was denied and  
 14 Defendants' was granted. (See Docket No. 220.) Mercado was barred from "(1) using the [Mark]  
 15 in relation to all forms of business enterprise, except for business arrangements that commenced  
 16 prior to June 7, 1995, and (2) representing to third parties that Plaintiffs own the Mark."  
 17 (See Docket No. 234.) The First Circuit affirmed the district court's decision to grant Bart's  
 18 preliminary injunction request under an abuse of discretion standard. Mercado-Salinas v. Bart  
 19 Enterprises Int'l, Ltd., No. 10-2359, 2011 WL 6350535 (1st Cir. Dec. 20, 2011).

20 An amended complaint was filed on December 30, 2010 (Docket No. 282-1). Defendants  
 21 answered the amended complaint and filed a counterclaim seeking declaratory relief for ownership  
 22 of the Mark, as well as damages for trademark infringement (Docket No. 356). On February 22,  
 23 2011, Defendants filed a motion for partial dismissal of the amended complaint (Docket No. 311)  
 24 under Federal Rule of Civil Procedure 12(b)(6) on the grounds that: (1) Plaintiffs' claim for piercing  
 25 the corporate veil was premature; (2) Plaintiffs failed to state a claim for piercing of the corporate  
 26 veil; and (3) Plaintiffs' claims regarding Mercado's name and likeness were barred by the doctrines  
 27 of res judicata and collateral estoppel. The court denied the motion (Docket No. 369).

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149 On August 10, 2011, both parties moved for partial summary judgment (Docket Nos. 374  
150 and 383, respectively). Defendants move for partial summary judgment on Plaintiffs' claims of  
151 trademark infringement and ownership of the Mark for astrological and psychic services. (See  
152 Docket No. 374 at 4.) Plaintiffs opposed Defendants' motion (Docket No. 407) incorporating the  
153 arguments set forth in their motion for partial summary judgment. By leave of the court, Defendants  
154 filed a reply brief (Docket No. 417), which Plaintiffs opposed by sur-reply (Docket No. 424).

155 Plaintiffs also move for partial summary judgment on claims for trademark infringement,  
156 breach of contract and breach of publicity rights, among others. (See Docket No. 383.)  
157 Correspondingly, Defendants filed an opposition to Plaintiffs' motion for partial summary judgment  
158 (Docket No. 403), which Plaintiffs replied (Docket No. 419).

### 159 III. Discussion

160 The court recognizes its preliminary interpretation of the Agreement (Docket No. 220) is not  
161 binding as to the meaning of the Agreement for a determination on the merits of the trademark  
162 infringement claims. “[A] court’s conclusions as to the merits of the issues presented on preliminary  
163 injunction are to be understood as statements of probable outcomes.” Narragansett Indian Tribe v.  
164 Guilbert, 934 F.2d 4, 6 (1st Cir. 1991). Because preliminary injunctions require the issues be  
165 presented and decided in an expeditious manner, the factual findings and legal conclusions made in  
166 the course of granting or denying a preliminary injunction are not binding as to the merits of the  
167 claim. See Univ. of Texas v. Camenisch, 451 U.S. 390, 395 (1981).

#### 168 A. Defendants’ Motion for Partial Summary Judgment (Docket No. 374)

169 Defendants move for partial summary judgment on Plaintiffs' claims of trademark  
170 infringement. (See Docket No. 374 at 4.) Defendants request the court declare Bart the rightful  
171 owner of the Mark for astrological and psychic services pursuant to the assignment of rights  
172 contained in the Agreement and find Plaintiffs have infringed on its trademark rights. (See Docket  
173 No. 374 at 4-5.) However, Plaintiffs contend Mercado validly terminated the Agreement in April  
174 2009 and the assigned rights reverted back to him, thus, Mercado is the “current full owner” of the  
175 Mark. (See Docket No. 407 at 6.) Furthermore, Plaintiffs contend the Agreement does not provide  
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1 a full assignment of trademark rights, inasmuch as the rights granted therein were subject to certain  
2 limitations. (See Docket No. 407 at 10.)3 **1. Ownership of the Mark**4 Because trademark ownership is essential to the claims of trademark infringement, the court  
5 will address this issue first. See Venture Tape Corp., v McGills Glass Warehouse, 540 F.3d 56, 60  
6 (1st Cir. 2008) (trademark infringement claim under Lanham Act requires trademark holder prove:  
7 (1) it owns and uses the mark in question; (2) another company or business used the same or similar  
8 mark without the holder's permission; and (3) the infringing use of the mark is likely to confuse  
9 consumers). Both Plaintiffs and Defendants claim ownership of the Mark, while disputing the  
10 other's ownership to the same. The parties assert there is no genuine issue of material fact as to  
11 ownership of the Mark. Because the contracting parties agreed the Agreement is "governed by and  
12 [should be] construed in accordance with the laws of Puerto Rico," the court interprets it under such.  
13 (See Docket No. 375-1 at 19 ¶ 20(d).)14 Contracting parties will be bound by their contractual obligations, which must be fulfilled  
15 in accordance with the terms of the agreement. P.R. Laws Ann. tit. 31, § 2994. If the terms of a  
16 contract are clear and leave no doubt as to the intentions of the contracting parties, then the literal  
17 terms of the contract will be observed. P.R. Laws Ann. tit. 31, § 3471. "Under Puerto Rican law,  
18 an agreement is clear when it can be understood in one sense alone, without leaving any room for  
19 doubt, controversies or difference of interpretation." Yordan v. Burleigh Point, Ltd., 552 F. Supp.  
20 2d 200, 203 (D.P.R. 2007) (citations omitted) (internal quotation marks omitted). The intention of  
21 the contracting parties shall prevail if the words in the contract appear contrary to the parties' evident  
22 intention. Id. Attention should be paid to the actions of the contracting parties, during and after  
23 entering into the agreement, when assessing their intentions. P.R. Laws Ann. tit. 31, § 3472. "When  
24 interpreting a contract under Puerto Rico law, its stipulations 'should be interpreted in relation to  
25 one another, giving to those that are doubtful the meaning which may appear from the consideration  
26 of them together.'" Yordan, 552 F. Supp. 2d at 204 (quoting P.R. Laws Ann. tit. 31, § 3475).  
27 "When a contract is ambiguous, extrinsic evidence may be considered to determine the intention of  
28 the parties." Yordan, 552 F. Supp. 2d at 204 (citing Innovation Marketing v. Tuffcare, Inc., 31 F.

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1 Supp. 2d 218, 222-23 (D.P.R. 1998); Exec. Leasing Corp. v. Banco Popular de Puerto Rico, 48 F.3d  
 2 66, 69 (1st Cir. 1995) (“[T]o consider extrinsic evidence at all, the court must first find the relevant  
 3 terms of the agreement unclear.”)).

4 **a. Assignment of the Mark**

5 It is clear by the language of the Agreement, Mercado assigned all rights in and to the Mark  
 6 to Bart. Like any kind of property, a trademark can be bought, sold and licensed, “[b]ut because the  
 7 ‘property’ parameters of marks are uniquely defined, great care must be taken in attempting to  
 8 transfer such rights.” 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition §  
 9 18:1 (4th ed. 2011) (hereinafter, “McCarthy”). A trademark cannot be sold or assigned apart from  
 10 the good will it symbolizes. 3 McCarthy § 18:2. In other words, rights to a trademark cannot be  
 11 transferred in gross –separate from the business with which it is associated. May v. Goodyear Tire  
 12 & Rubber Co., 10 F. Supp. 249, 257 (D. Mass. 1935). “[A] personal name used as a trademark may  
 13 be expressly assigned to another along with the good will symbolized by the mark.” 3 McCarthy  
 14 § 18:32.

15 In the case at bar, the Agreement, read as a whole, assigns to Bart full rights to the Mark.  
 16 It is clear and unambiguous. The language in the Agreement states Mercado assigned to Bart, all  
 17 rights in and to the Mark, including the goodwill it symbolizes. The specific language of the  
 18 Agreement reads,

19 Mercado hereby irrevocably assigns to Bart throughout the Territory during the  
 20 Term, all right, title and interest in and to the Mark, together with that part of the  
 21 goodwill of Mercado’s business connected with and symbolized by said Mark, for  
 22 use in connection with the Pre-existing Materials and the New Materials, if any.  
 23 Such assignment includes but is not limited to the right to use the Mark in connection  
 24 with Preexisting Materials and the New Materials in any and all media now known  
 25 or hereafter developed . . . , the right to merchandise and the right to utilize the Mark  
 26 in all advertising, promotion and publicity created in connection therewith.

27 (See Docket No. 375-1 at 4 ¶ 2(b).) Additionally, the Agreement stipulates that Bart has the right  
 28 to register the Mark in its own name as an owner of the trademark, as well as the right to enforce its  
 rights in court:

29 Bart shall have all rights in the Mark which are afforded to owners of trademarks and  
 30 service marks, including but not limited to the right to seek and obtain trademark  
 31 protection and/or registration of the Mark in its name, and the right to enforce or  
 32 defend Bart’s rights against third parties.

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1 (See Docket No. 375-1 at ¶ 2(c).) As the court expressed in its preliminary injunction ruling, this  
 2 language connotes the assignment of full rights to the Mark, rather than granting a mere license. See  
 3 Quabaug Rubber Co. v. Fabiano Shoe Co., 567 F.2d 154, 159 n.6 (1st Cir. 1977) (defining licensee  
 4 as person without exclusive right to sell product associated with trademark, and who cannot sue on  
 5 his own behalf).

6 Furthermore, the Agreement itself is written in a manner that distinguishes between  
 7 assignments and licenses, depending on the parties' intent. In the "Grants of Rights" section, the  
 8 Agreement not only *assigns* to Bart "all right, title and interest" to the Mark, but also *assigns* to Bart,  
 9 "all right, title and interest, including all copyrights in and to all Preexisting Materials." (See Docket  
 10 No. 375-1 at 2 ¶ 1(a).) Later, the Agreement is careful not to use the term "assigns" or any variation  
 11 thereof in other provisions, but instead the Agreement refers to Mercado granting "right[s]" and  
 12 "license[s]." For example, Mercado "grants to Bart the exclusive *right* and *license* . . . to develop,  
 13 produce, distribute and copyright in its own name new materials, in any language, relating to  
 14 Mercado's psychic and astrological services." (See Docket No. 375-1 at 3 ¶ 1(b)) (emphasis added).  
 15 Mercado also "grants to Bart the *right* and *license* . . . to use Mercado's performance, name,  
 16 signature, photographs, voice, picture, likeness, or other indicia of his identity." (See Docket No.  
 17 375-1 at 5 ¶ 3(b)) (emphasis added). Because the Agreement makes use of both the term 'assigns'  
 18 and 'licenses' in separate provisions, the court interprets the Agreement as assigning certain rights,  
 19 while only licensing others.

20 **b. Reversion of Assigned Rights**

21 Pursuant to the Agreement, "all grants granted or assigned by this agreement shall be  
 22 irrevocable under all or any circumstances, and shall not be subject to rescission, termination or  
 23 injunction." (See Docket No. 375-1 at 15 ¶ 13.) However, the irrevocable assignment shall be  
 24 "during the Term" of the Agreement. The Agreement defines "Term" to mean "in perpetuity,"  
 25 subject to the termination provision of paragraph twelve (12) ("Paragraph 12"). (See Docket No.  
 26 375-1 at 5 ¶ 5.) Paragraph 12 allows the parties to terminate the Agreement upon the occurrence of  
 27 specific conditions. (See Docket No. 133-6 at 13-14.)

28

1           Therefore, the assignment to Bart of “all right, title and interest in and to the Mark” is  
 2 irrevocable while the Agreement is valid. The court has previously acknowledged the Florida  
 3 Court’s determination that Mercado’s assignment under the Agreement is subject to reversion upon  
 4 termination.<sup>2</sup> Once the Agreement is validly terminated by Bart or Mercado, “the assignment of the  
 5 trademark . . . revert[s] back to Mercado because the Term [ends].” (See Docket No. 133-23 at 16.)  
 6 In the meantime, Bart owns the Mark. Ownership of the Mark reverts to Mercado only by the valid  
 7 termination of the Agreement.

8           **2. Termination of the Agreement**

9           Because the rights over the Mark revert to Mercado upon termination of the Agreement, the  
 10 ownership issue ultimately turns on whether Mercado validly terminated the Agreement.

11           According to Paragraph 12, “Mercado shall have the right to terminate this Agreement  
 12 immediately (A) in the event of a material breach by Bart which remains uncured for a period of ten  
 13 days following written notice thereof.” (See Docket No. 375-1 at 13 ¶ 12(a)(ii).) Furthermore,  
 14 if Bart fails to make any of the above mentioned payments, in paragraph 6(c), within  
 15 sixty (60) days from the due date, then Mercado shall have the option to declare this  
 16 contract null and void and all payments already made on the part of Bart shall be  
 17 retained by Mercado, provided Mercado gives Bart written notice at least fifteen (15)  
 18 days prior to such date of termination and Bart fails to cure the non-payment within  
 19 such time period or otherwise can justify its failure to make any such payments.  
 20 (See Docket No. 375-1 at 13-14 ¶ 12(a)(iii).)

21           Plaintiffs claim Mercado validly terminated the Agreement in April 2009 due to: (1)  
 22 Defendants’ failure to pay the amounts agreed upon in paragraph 6(c); and (2) Defendants’ failure  
 23 to comply with their contractual obligation set forth in paragraph 3(b) to request Mercado’s consent  
 24 for all uses of Mercado’s name, image and likeness. (See Docket Nos. 383 at 10-21; 407 at 5.)

25  
 26           **a. Compensation**

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27           <sup>2</sup> As the First Circuit explained, the doctrine of collateral estoppel applies to the issue of  
 28 reversion because Mercado and Bart litigated the issue of reversion upon termination before the  
 Florida Court, the Florida Court’s determination was final at the summary judgment stage, and the  
 issue was essential to the Florida Court’s determination that Mercado’s trademark claims were moot  
 because Mercado had not terminated the Agreement. Mercado-Salinas, 2011 WL 6350535 at \*21.

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1 Defendants argue any claim of termination by Mercado is meritless because Mercado ceased  
 2 to perform any and all additional services as of November 2006, and thus, Mercado is not entitled  
 3 to compensation under the Agreement. (See Docket No. 374 at 13-14.) They contend Bart was not  
 4 obliged to fulfill its obligations under the Agreement until Mercado performed all of his obligations,  
 5 and since Bart has not failed to comply with its obligations, Mercado could not terminate the  
 6 Agreement.” (See Docket No. 374 at 15.) According to Plaintiffs, Mercado’s service obligation to  
 7 Bart expired in June 2007, but Bart’s payment obligations under the Agreement were subject to the  
 8 Term, in other words, “in perpetuity.” (See Docket No. 383 No. 12.)

9 As to the payment obligations under Paragraph 6(c), each party has a different interpretation.  
 10 (See Docket No. 375-1 at 7 ¶ 6(c).) Both argue the best case scenario for themselves, while  
 11 conveniently ignoring the express language of the compensation provision.

12 At this point it is worth taking a step back to discuss the two distinct provisions at play in  
 13 this contract: Mercado’s personal services and the assignment of the Mark. The first is the provision  
 14 for personal services, which Mercado agreed to render during the Additional Services Period. The  
 15 Additional Services Period is a ten year term, from the date of the Agreement, to be “automatically  
 16 extended for additional two year periods at the option of Bart unless Bart notifies Mercado otherwise  
 17 no less than thirty(30) days prior to the expiration of the then current Additional Services Period.”  
 18 (See Docket No. 375-1 at 6 ¶¶ 6(b)(i) & (ii).) The Florida Court found the Agreement was valid  
 19 because it did not require Mercado to render his services “in perpetuity,” but rather “[u]nder the  
 20 explicit terms of the Agreement, Mercado’s personal services obligations are owed for the duration  
 21 of the Additional Services Period, not for the duration of the Term.” (See Docket No. 133-23 at 7-  
 22 8.) The court agrees with this analysis because under Puerto Rico law, Mercado cannot contract his  
 23 personal services for life. See P.R. Laws Ann. tit. 31, § 4111 (“A hiring for life shall be void.”).  
 24 The other provision at issue is the assignment of the Mark. The Mark has been assigned to Bart in  
 25 perpetuity, for the term of the contract. This much has previously been held by other courts.

26 It is also clear the terms of the contract state Bart must pay Mercado \$25,000 per month for  
 27 his personal services, the results thereof and for other grants. (See Docket No. 375-1 at 7 ¶ 6(c))  
 28 (compensation is “in consideration of all services rendered by Mercado and the use of the results

1 thereof and all rights granted by Mercado to Bart.”) The court gives this provision the most obvious  
 2 meaning: Mercado was being paid for his personal services and for the other grants in the  
 3 Agreement. Among the rights granted to Bart through the Agreement was the assignment of the  
 4 Mark. Therefore, part of the compensation set up in Paragraph 6(c) was for Mercado’s personal  
 5 services and part was for the assignment of the Mark.

6 Defendants’ argument, that any compensation for the Mark would appear in the “NOW  
 7 THEREFORE” paragraph of the preamble to the contract, is unbelievable. Considering the gravity  
 8 of this contract, the amount of money given to Mercado for the use of his services, name and  
 9 likeness, the court cannot believe Mercado sold the Mark, his actual name, for \$10.00. The more  
 10 likely interpretation is the court’s interpretation that \$25,000 per month was due to Mercado for use  
 11 of the Mark and for his personal services. Mercado’s argument is similarly disposed of because the  
 12 specific terms of the compensation package include personal services.

13 The Additional Services Period did not end until 2007 and Mercado was under contract “to  
 14 provide additional psychic and astrological services to Bart” during said period. If Mercado had  
 15 rendered his services until the end of the Additional Services Period, he would be entitled to the full  
 16 compensation set out in Paragraph 6(c). However, Mercado stopped rendering services to Bart in  
 17 2006, before his twelve year period concluded.<sup>3</sup> (See Docket No. 133-2 at 4 ¶ 34.)

18 Under Puerto Rico contract law, a contracting party must comply with its own contractual  
 19 obligations before it can demand compliance from the other party. See P.R. Laws Ann. tit. 31, §  
 20 3052. In bilateral obligations, “a party may not seek enforcement of the other party’s obligations  
 21 unless he first compiles or agrees to comply with its own obligations.” Mora Dev. Corp. v. Sandin,

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 24 <sup>3</sup> The Additional Services Period consists of a definite ten year period and additional two  
 25 year periods at Bart’s discretion. The Additional Services Period commenced with the Agreement  
 26 in 1995. The ten year term concluded in 2005. The Additional Services Period automatically  
 27 extended for two more years, as there is no evidence of notice by Bart to Mercado stating otherwise  
 28 and Mercado continued to perform under the Agreement after 2005. Accordingly, the Additional  
 Services Period would not have ended until 2007 and Mercado was under contract “to provide  
 additional psychic and astrological services to Bart” during said period. Hence, Mercado’s service  
 obligation under the Agreement was for twelve years.

1 118 D.P.R. 733, 742 (1987), 18 P.R. Offic. Trans. 847, 857 (Apr. 29, 1987). “[I]f one of the parties  
 2 does not fulfill his obligation, the other party may consider the contract dissolved without seeking  
 3 court action.” Constructora Bauza, Inc. v. Garcia Lopez, 129 D.P.R. 579, 594 (1991), 1991 P.R.-  
 4 Eng. 735, 859. “This general principle governing mutual contracts . . . may be raised as a defense  
 5 against a party who, having breached the contract, demands performance of the same.” Id.

6 Because Mercado breached the contract, Mercado could not have validly terminated the  
 7 contract. Additionally, Mercado stopped rendering services for Bart while under a contractual  
 8 obligation to do so. Mercado cannot be forced to render services. See Garcia v. World Wide Entmt.  
 9 Co., 132 D.P.R. 378, 385 (1992), 1992 P.R. -Eng. 754, 802 (Dec. 24, 1992) (holding specific  
 10 performance of personal services cannot be compelled because it is “a very personal activity, closely  
 11 linked to the debtor’s liberty, . . . and thus performance of the obligation must be enforced in an  
 12 action for damages.”) Likewise, Bart cannot be forced to pay for services not rendered.

13 Because Mercado did not perform his obligation under the Agreement to provide additional  
 14 services to Bart during the Additional Services Period, Bart need not comply with its payment  
 15 obligations for Mercado’s services. Mercado breached the Agreement by not performing the  
 16 personal service provision. After Mercado breached the contract by not performing personal  
 17 services, Bart was no longer under the obligation to pay Mercado for those personal services. As  
 18 such, Mercado could not validly terminate the Agreement pursuant to its terms. Therefore, the Mark  
 19 remained the property of Bart, until the term of the contract expires.

20 This dispenses of half of the compensation package owed to Mercado. Mercado is not  
 21 wholly incorrect in believing he was owed monies under this provision of the contract. By its express  
 22 language, Paragraph 6(c) provides compensation for Mercado’s services, for the results of Mercado’s  
 23 services, and for all rights granted by Mercado. The Agreement does not provide distinct  
 24 compensation for each, instead it lumps all three into one compensatory provision. The fact that  
 25 Defendants have not made any payment to Mercado under the Agreement since November 2006 has  
 26 been stipulated. (See Docket No. 133-2 at 4 ¶ 33.) Bart has not terminated the contract either as it  
 27 has been using the Mark even though Mercado stopped performing personal services. Therefore the  
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1 contract is still on-going and valid, and Bart is also in breach. Bart need not pay for the personal  
 2 services Mercado did not provide, but it must provide payment for the use of the Mark.

3 The court cannot discern from the Agreement what compensation is due to Mercado for the  
 4 use of the Mark. Neither can the court decide whether Bart's obligation to compensate for the Mark  
 5 stopped with the end of the Additional Services Period, or whether it continues during the Term of  
 6 the Agreement. The court finds the Agreement to be ambiguous as to this point, and thus, must look  
 7 to the parties intentions in order to interpret the contract. "The intent of contracting parties is  
 8 'generally . . . deemed a material issue of fact' precluding summary dismissal." Tropeano v.  
 9 Dorman, 441 F.3d 69, 75 (1st Cir. 2006) (quoting Blanchard v. Peerless Ins. Co., 958 F.2d 483, 488  
 10 (1st Cir. 1992)). The evidence presented by both sides creates a genuine issue of material fact as to  
 11 the intentions of the parties at the time the contract was signed regarding the period applicable to the  
 12 compensation clause. It is the essence of a jury question and one that should be answered by a  
 13 factfinder.

14 **b. Breach of Contract**

15 According to Paragraph 12, Mercado may terminate the Agreement immediately in the event  
 16 of a material breach by Bart which remains uncured for a period of ten days following written notice  
 17 thereof. (See Docket No. 375-1 at 13 ¶ 12(a)(ii).) In order for Mercado to validly terminate the  
 18 Agreement pursuant to Paragraph 12(a)(ii), Bart must have materially breached the Agreement by  
 19 not complying with its obligations under such, Mercado must have provided written notice of said  
 20 breach, and Bart must have not cured the breach within ten days of the written notice.

21 Plaintiffs argue Bart breached its obligation under Paragraph 3(b) to request Mercado's  
 22 consent for all uses of Mercado's name, image and likeness. (See Docket No. 407 at 5.) According  
 23 to Paragraph 3(b), Mercado granted Bart:

24 the right and license during the Term and throughout the Territory to use Mercado's  
 25 performance, name, signature, photographs, voice, picture, likeness, or other indicia  
 26 of his identity (collectively "Name and Likeness") in connection with the Preexisting  
 27 Materials and the New Materials by any means and in any and all media now known  
 28 or hereafter devised, subject, however, to Mercado's right to prior approve any such  
 use, such approval not to be unreasonably withheld. If such approval is not  
 communicated to Bart within forty-eight (48) hours of Mercado's receipt of the  
 materials, such right of approval shall be deemed waived.

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1 (See Docket No. 375-1 at 5 ¶ 3(b).)

2 This provision grants Bart the right to use Mercado's Name and Likeness with Mercado's  
 3 prior approval, which Mercado cannot unreasonably withhold. Mercado loses his right to prior  
 4 approve the use of his Name and Likeness if he does not communicate his approval within forty-  
 5 eight hours of having received the materials. Paragraph 3(b) does not create an obligation for Bart  
 6 to request Mercado's consent to use Mercado's Name and Likeness. Bart could not have breached  
 7 an obligation it did not have. Accordingly, Mercado did not validly terminate the Agreement  
 8 pursuant to Paragraph 12 (a)(ii).

9 Because Mercado did not validly terminate the Agreement pursuant to Paragraph 12, no  
 10 rights reverted back to him. Bart maintains the ownership of the Mark. After the execution of the  
 11 Agreement, and in the absence of a valid termination, Defendants are the only party entitled to claim  
 12 trademark infringement.

13 **2. Trademark Infringement**

14 Both registered and unregistered trademarks may be eligible for protection against infringing  
 15 uses. Borinquen Biscuit Corp. v. M.V. Trading Corp., 443 F.3d 112, 117 (1st Cir. 2006) (citations  
 16 omitted). To succeed on a trademark infringement claim, a party seeking trademark protection must  
 17 establish: (1) its mark is entitled to trademark protection; and (2) the allegedly infringing use is likely  
 18 to cause consumer confusion. Boston Duck Tours, LP v. Super Duck Tours, LLC, 531 F.3d 1, 12  
 19 (1st Cir. 2008) (citing Borinquen Biscuit, 443 F.3d at 116).

20 **a. Protectability of the Mark**

21 The capability to function as a source-identifier of goods is what entitles a mark to trademark  
 22 protection. Boston Duck Tours, 531 F.3d at 12 (citing Two Pesos, Inc. v. Taco Cabana, Inc., 505  
 23 U.S. 763, 769 (1992)). Distinctiveness is typically classified along a continuum comprising of five  
 24 categories based on their capacity to serve the source-identifying function: generic, descriptive,  
 25 suggestive, arbitrary and fanciful. Boston Duck Tours, 531 F.3d at 12. Suggestive, arbitrary and  
 26 fanciful marks are considered inherently distinctive, while a descriptive mark becomes distinctive  
 27 –and thus eligible for trademark protection– only upon a showing of secondary meaning. Two  
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1 Pesos, 505 U.S. at 769. Personal names are generally considered descriptive terms. Quicksilver,  
 2 Inc. v. Kymsta Corp., 466 F.3d 749, 760 (9th Cir. 2006) (citations omitted).

3 Because descriptive marks marks are not inherently distinctive, the owner must provide  
 4 “sufficient evidence to establish that the public associates the term or phrase not only with a specific  
 5 feature or quality, but also with a single commercial source.” Boston Duck Tours, 531 F.3d at 13;  
 6 see Boston Beer Co. Ltd. Partnership v. Slesar Bros. Brewing Co., Inc., 9 F.3d 175, 181 (1st Cir.  
 7 1993) (“[I]t is the party seeking protection of a mark who bears the burden of proving that secondary  
 8 meaning has attached.”). “When a descriptive phrase becomes associated with a single commercial  
 9 source, the phrase is said to have ‘acquired distinctiveness’ or ‘secondary meaning,’ and therefore  
 10 functions as a trademark. Boston Duck Tours, 531 F.3d at 13 (citing 15 U.S.C. § 1052(f)). Thus,  
 11 Defendants must demonstrate that the Mark “exhibits acquired distinctiveness gained through  
 12 secondary meaning.” Boston Duck Tours, 531 F.3d at 13 (citing Borinquen Biscuit, 443 F.3d at  
 13 117) (internal quotation marks omitted).

14 A mark achieves secondary meaning when its primary significance to the public is to identify  
 15 a particular source of a service, rather than simply the service itself. Borinquen Biscuit, 443 F.3d  
 16 at 116. Plaintiffs do not dispute the Mark has acquired secondary meaning. In fact, in addressing  
 17 the parties’ preliminary injunction requests, Judge McGiverin found in his report and  
 18 recommendation that Plaintiffs –the original owners of the Mark– demonstrated the Mark had  
 19 acquired secondary meaning prior to the Agreement. (See Docket No. 194 at 19-21.) More so, the  
 20 Agreement itself states, “[t]he parties acknowledge that the [Mark] has been used and associated  
 21 with the Preexisting Materials . . . [and] [a]s a result, the Mark has attained the status of a common  
 22 law trademark and service mark.” (See Docket No. 375-1 at 3 ¶ 3(a).) The evidence now before the  
 23 court is not materially different than it was at the preliminary injunction stage. Walter Mercado has  
 24 worked as a psychic and astrologer for nearly forty years and is well-known in those roles in Puerto  
 25 Rico, the United States, and Latin America. (See Docket No. 133-2 ¶¶ 1-2.) Mercado’s reputation  
 26 as a psychic and astrologer has only grown since the Agreement was signed. Proof of secondary  
 27 meaning entails vigorous evidentiary requirements.” Boston Beer, 9 F.3d at 181 (quoting Perini  
 28 Corp. v. Perini Constr., 915 F.2d 121, 125 (4th Cir. 1990)) (internal quotation marks omitted). The

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1 record in this case is saturated with the psychic and astrological work produced and sold to the  
 2 public under the name Walter Mercado. Accordingly, the court finds the Mark has acquired  
 3 secondary meaning and is thus distinctive and entitled to trademark protection.

4 **b. Likelihood of Consumer Confusion**

5 Trademark infringement requires more than a theoretical possibility of confusion, but a  
 6 substantial likelihood of “confounding an appreciable number of reasonably prudent purchasers  
 7 exercising ordinary care.” Boston Duck Tours, 531 F.3d at 12 (internal quotation marks omitted).  
 8 The First Circuit has interpreted “likely confusion” “to mean more than the theoretical possibility  
 9 of confusion.” Boston Duck Tours, 531 F.3d at 12 (citations omitted) (internal quotation marks  
 10 omitted). Likelihood of confusion is assessed by examining the following factors: (1) the similarity  
 11 of the marks; (2) the similarity of the goods; (3) the relationship between the parties’ channels of  
 12 trade; (4) the juxtaposition between the parties’ advertising; (5) the classes of prospective purchases;  
 13 (6) the evidence of actual confusion; (7) the defendant’s intent in adopting the mark; and (8) the  
 14 strength of plaintiff’s mark. Astra Pharm. Prods., Inc. v. Beckman Instruments, Inc., 718 F.2d 1201,  
 15 1205 (1st Cir. 1983).

16 In the present case, the marks used are one and the same. There is no dispute that confusion  
 17 among consumers would ensue if Mercado started developing and producing new work material  
 18 relating to psychic and astrological services when he already assigned his name, Walter Mercado,  
 19 to Defendants that produce these same services. Because Bart has exclusive ownership of the Mark,  
 20 Mercado has been infringing the Mark, by continuing to use it and license it to third parties.  
 21 Accordingly, the Court **GRANTS** Defendants’ motion for partial summary judgment on claims of  
 22 trademark infringement.

23 **B. Plaintiffs’ Motion for Partial Summary Judgment (Docket No. 383)**

24 Plaintiffs’ request for declaratory judgment is premised on Mercado being the rightful owner  
 25 of the Mark. The court has already decided that: (1) Mercado assigned to Bart full rights to the  
 26 Mark; (2) Mercado did not validly terminate the Agreement; and (3) Bart is the owner of the Mark  
 27 for astrological and psychic services. Any use by Mercado of the Mark in relation to astrological  
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1 and psychic services would undermine that assignment. Therefore, the Court **DENIES** Plaintiff's  
2 motion for partial summary judgment.

3 **IV. Conclusion**

4 For the foregoing reasons, the court **GRANTS** Defendants' motion for partial summary  
5 judgment at Docket No. 374. Plaintiffs' motion for partial summary judgment at Docket No. 383  
6 is **DENIED**.

7 **SO ORDERED.**

8 In San Juan, Puerto Rico this 31st day of March, 2012.

9  
10 *s/ Gustavo A. Gelpí*

11 GUSTAVO A. GELPI

12 United States District Judge

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